EXHIBIT 42

The Fundamentals of Municipal Bonds

Securities Industry and Financial Markets Association

sifma®

Sixth Edition

Written by

NEIL O'HARA

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ongoing relationship with a banker, a negotiated sale often offers a better alternative. In a negotiated sale, the underwriter markets the bonds more extensively by providing investors with detailed information about the issue. In addition, there is flexibility in the timing of negotiated offerings, enabling the underwriter to take advantage of market conditions and steer through volatile market periods, as well as to develop a structure that suits current market conditions. Underwriters usually employ separate counsel to represent their interests.

The trend in the market over the past 35 years has been the increased use of negotiated sales. In 1975, 34 percent of the new-issue market was negotiated, while by 2009, it had grown to 85 percent. Chapter 4, The Primary Market, includes several charts on negotiated and competitive sales.

Private placements occur when the investment banker offers the securities directly to investors, without a public underwriting. Typically, the placement agent (the term for the underwriter in this type of transaction) contacts one or more institutional investors. The investor has the ability to negotiate favorable covenants with the issuer and to have greater influence over how the deal is structured. An issuer may want to do a private placement if its credit is new, of lower grade, or unrated. An advantage of a private placement is that information on the issuer would remain contained and controlled and would not be disseminated outside of the immediate circle of investors. Investors often sign *investor letters*, which attest to their sophistication and delineate the allowable secondary-market activity.

THE FINANCING DOCUMENTS

The issuer, together with the bond counsel, the financial advisor, and, if the issue is to be sold on a negotiated basis, the underwriter and its counsel, develop the financing documents that are the backbone of the deal. Working group meetings are held so that all the parties become conversant with the basic terms of the financings. Strategic decisions about security, size, and maturity of the issue are made, using market barometers, relevant legislation, and the issuer's own planning tools, such as the capital improvement plan. It is more common than not for the structure to evolve and change many times before the closing. The financing documents that are drafted may include many of those described in this section, again depending on the individual deal structure and state law.

Web sites for working groups on new issues have been created by private data vendors. The working groups can set up secure sites on the Internet, where all phases of the issue—from the initial draft of the preliminary official statement to the final draft of the bond purchase agreement—can be accessed